6554.0 - Household Wealth and Wealth Distribution, Australia, 2005-06

ARCHIVED ISSUE Released at 11:30 AM (CANBERRA TIME) 09/11/2007

NOTES

ABOUT THIS PUBLICATION

This publication presents results from the Survey of Income and Housing (SIH) on estimates of household net worth, or wealth. It includes summary measures of the distribution of household net worth in Australia. Classifications used to describe households include net worth quintile, income quintile, principal source of household income, family composition, tenure type and geographic location. For each category of household, estimates of the various assets and liabilities comprising net worth are provided along with estimates of household income, household size and other characteristics.

CHANGES IN THIS ISSUE

This is the second issue of this publication. Changes made in this issue which have impacted on the data include:

- the inclusion of all salary sacrificed amounts in income estimates for 2003-04 and 2005-06. In the first issue, in respect of 2003-04, the income estimates only included some salary sacrificed amounts. The 2003-04 income estimates included in this issue have therefore been revised to include additional salary sacrificed amounts (in Table 1 and Summary of Findings). For more information see Appendix 4 of **Household Income and Income Distribution, Australia, 2005-06** (cat. no. 6523.0).
- the use of more detailed age benchmarks when determining the weights to be allocated to each person and household in the 2005-06 estimates. For further information refer to paragraph 54 of the Explanatory Notes.
- expanded detail for age groups, splitting a category for those aged 65 years and over into two categories for 65-74 and 75 years and over.

EFFECTS OF ROUNDING

Where figures have been rounded, discrepancies may occur between sums of the component items and totals. Published percentages are calculated prior to rounding of the figures and therefore some discrepancy may exist between these percentages and those that could be calculated from the rounded figures.

INQUIRIES

For further information about these and related statistics, contact the National Information and Referral Service on 1300 135 070 or Rajni Madan on Canberra (02) 6252 7457.

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SUMMARY OF FINDINGS

INTRODUCTION

The economic wellbeing of individuals is largely determined by their command over economic resources. People's income and reserves of wealth provide access to many of the goods and services consumed in daily life. This publication provides details of the components and distribution of household net worth, or wealth.

The estimates of net worth in this publication are derived from the value of households' assets less their liabilities, as collected in the 2005-06 Survey of Income and Housing (SIH). Household assets and liabilities information were collected for the first time in the 2003-04 SIH. A number of tables in this publication show data for both reference periods.

While there may be individual ownership of assets, the benefits of asset ownership are shared at least to some extent between members of the household. Therefore this publication presents estimates of household wealth along with estimates of household income and other characteristics of households.

Further information on household income is available from the publication **Household Income and Income Distribution, Australia, 2005-06** (cat. no. 6523.0).

COMPOSITION OF WEALTH

Wealth is a net concept and measures the extent to which the value of household assets exceeds the value of their liabilities. In 2005-06, the mean value of household assets was $655,000. The corresponding value of mean household liabilities was $92,000, resulting in mean household net worth of $563,000 (see table 6).

Assets

Sixty-nine percent of households own their own home either outright or with a mortgage, and for many of them the dwelling in which they live is their main asset. Owner occupiers' average home value was $412,500. This represented an average value of $286,000 when averaged across all households, that is, across both owner occupiers and non-owner occupiers (see table 16). Owner occupied dwellings accounted for 44% of total average household assets for all households. The average value of household contents was $51,000.

Nearly 20% of households owned property other than the dwelling in which they lived, including residential and non-residential property for rent and holiday homes. The value of this property averaged $91,000 across all households and accounted for 14% of total household assets.

Balances in superannuation funds were the largest financial asset held by households, averaging $85,000 per household across all households. 76% of households had some superannuation assets, but the distribution was very asymmetrical. While the average (mean) value of superannuation for those households was $111,000, half had superannuation assets under $44,000.

In the SIH, the value of own unincorporated and incorporated businesses is measured on a net basis, that is, the value of assets less the value of liabilities. The net value of own unincorporated businesses averaged $14,000 across all households and the net value of own incorporated businesses averaged $45,000 across all households.

Liabilities

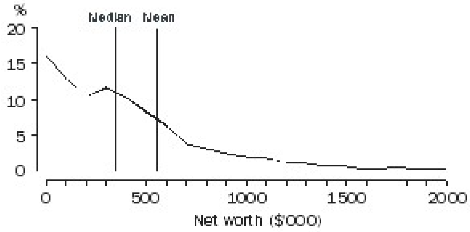
Loans outstanding on owner occupied dwellings were the largest household liability. They averaged $142,000 for owner occupier households with a mortgage, giving them a net value in their dwellings of $275,000. Across all households, the average value of loans outstanding on owner occupied dwellings was $50,000, or 54% of average household liabilities. Loans outstanding for other property averaged $29,000. The principal outstanding on vehicle loans averaged $2,850 per household and the average household credit card debt was $2,200.

DISTRIBUTION OF WEALTH

While the mean household net worth of all households in Australia in 2005-06 was $563,000, the median (i.e. the mid-point when all households are ranked in ascending order of net worth) was substantially lower at $340,000. This difference reflects the asymmetric distribution of wealth between households, where a relatively small proportion of households had high net worth and a relatively large number of households had low net worth.

As can be seen from table 2, 16% of households had net worth falling between -$150,000 and $50,000. 1% had negative net worth.

1 DISTRIBUTION OF HOUSEHOLD NET WORTH, 2005-06



Note: Households with net worth between -$150,000 and $2,050,000 are shown in $100,000 increments

Changes in net worth distribution from 2003-04 to 2005-06

In real terms, mean household net worth in 2005-06 ($563,000) was 14% higher than in 2003-04 ($494,000).

For low net worth households (represented by the lowest quintile), median net worth increased by 5% from 2003-04 to 2005-06. For households with middle net worth (represented by the third quintile), there was a 9% increase in the median value and for the highest net worth households (represented by the top quintile) there was an 11% increase.

In both 2003-04 and 2005-06 only 1% of total household net worth went to households in lowest net worth quintile, whereas the share of households in the highest net worth quintile increased from 59% in 2003-04 to 61% in 2005-06.

2 CHANGES IN REAL NET WORTH DISTRIBUTION, 2003-04 to 2005-06

		2003-04(a)	2005-06	Percent change
Mean household net worth				
Low net worth	$	25 711	27 368	6
Middle net worth	$	312 717	341 745	9
High net worth	$	1 458 002	1 720 680	18
All households	$	494 346	562 859	14
Median household net worth				
Low net worth	$	23 235	24 505	5
Middle net worth	$	311 520	339 765	9
High net worth	$	1 046 853	1 159 969	11
All households	$	311 520	339 765	9
Percentage share received by households				
Low net worth	%	1.0	1.0	-
Middle net worth	%	12.7	12.1	-
High net worth	%	59.0	61.1	-

(a) In 2005-06 dollars, adjusted using changes in the Consumer Price Index

Wealth and income

The range of wealth levels is wider than the range of income levels, as can be seen by analysing percentile ratios. For example, the value of P80 for household net worth (i.e. the level of net worth dividing the bottom 80% of all households from the top 20%) was 10.6 times higher than the P20 for household net worth (i.e. dividing the bottom 20% from the rest). The corresponding P80/P20 ratio for gross household income was 4.3. Similarly, the 20% of households comprising the lowest net worth quintile accounted for only 1.0% of total household wealth, while the 20% of households comprising the lowest gross income quintile accounted for 4.3% of total income.

3 SELECTED DISTRIBUTION INDICATORS, Household net worth and gross household income - 2005-06

		Household net worth(a)	Gross household income(a)
Ratio of values at top of selected percentiles			
P90/P10	ratio	47.34	8.99
P80/P20	ratio	10.62	4.30
P80/P50	ratio	2.20	1.86

P20/P50	ratio	0.21	0.43
Percentage share received by households in			
Lowest net worth quintile	%	1.0	11.8
Middle net worth quintile	%	12.1	17.2
Highest net worth quintile	%	61.1	32.2
Percentage share received by households in			
Lowest gross income quintile	%	11.1	4.3
Middle gross income quintile	%	14.6	16.1
Highest gross income quintile	%	40.0	45.6

(a) Quintile and percentile boundaries are derived separately for household net worth and gross household income. For information about the derivation of quintiles, percentiles and mean values for these data items, see Appendix 1

Wealth is distributed between households somewhat differently to income. While the 20% of households comprising the lowest net worth quintile accounted for only 1% of total household net worth, they accounted for 12% of total gross household income. The 20% of households comprising the lowest gross household income quintile accounted for 4% of total gross household income but 11% of total net worth.

The differences in the distribution of wealth and income partly reflect the common pattern of wealth being accumulated during a person's working life and then being utilised during retirement. Therefore many households with relatively low wealth have relatively high income, especially if they are younger households. Conversely older households may have accumulated relatively high net worth over their lifetimes, but have relatively low income in their retirement.

In addition, some households had low or even negative incomes due to business or investment losses, but still had relatively high levels of net worth.

Household characteristics

Households with different characteristics tend to have different levels of net worth, as shown in table 7 of the publication, and summarised in the following table. Low net worth households had lower equivalised disposable household income compared to middle and high net worth households ($445 per week, compared with $556 and $908 per week respectively).

High net worth households had the highest incidence of full ownership of their home, whereas 92% of the households in the lowest net worth quintile were renters. High net worth households contained more people on average (2.8) than the low and middle net worth groups (2.2 and 2.5) and more employed persons on average (1.6) compared with low and middle net worth households (0.9 and 1.2, respectively).

The household reference person in the high net worth group is older, on average, than the reference person in low and middle net worth households, reflecting that wealth generally accumulates with age.

4 HOUSEHOLD CHARACTERISTICS, Net worth groups-2005-06

		Low net worth	Middle net worth	High net worth
Mean net worth	$	27 368	341 745	1 720 680
Mean gross income per week	$	769	1 122	2 098
Mean equivalised disposable household income per week	$	445	566	908
Owns home without a mortgage	%	*0.8	40.6	61.0
Owns home with a mortgage	%	3.3	50.1	35.4
Rents from a private landlord	%	65.9	7.1	2.8
Rents from state/territory housing authority	%	20.4	**0.1	-
Average number of persons in the household	no.	2.2	2.5	2.8
Average number of employed persons in the household	no.	0.9	1.2	1.6
Average age of reference person in the household	years	40	52	55

* estimate has a relative standard error of 25% to 50% and should be used with caution
** estimate has a relative standard error greater than 50% and is considered too unreliable for general use

Life cycle stages

A typical life cycle includes childhood, early adulthood and the forming and maturing of families, as illustrated in tables 20 and 21 of the publication. Other family situations and compositions are shown in tables 18 and 19. The following table compares households in different life cycle stages.

5 NET WORTH AND HOUSEHOLD CHARACTERISTICS, For selected life cycle groups-2005-06

	Number of households	Average number of persons	Mean household net worth	Mean gross household income per week	Proportion owning home without a mortgage	Proportion owning home with a mortgage
	'000	no.	$'000	$	%	%

Lone person aged under 35	369.3	1.0	115	845	*3.5	28.3
Couple only, reference person aged under 35	423.5	2.0	239	1 689	*2.7	46.3
Couple with dependent children only						
Eldest child aged under 5	429.9	3.4	512	1 687	6.0	63.0
Eldest child aged 5 to 14	859.4	4.1	595	1 764	13.0	63.7
Eldest child aged 15 to 24	469.3	4.2	872	2 056	29.5	58.9
Couple with						
Dependent and non-dependent children only	264.4	4.7	808	2 378	25.3	60.3
Non-dependent children only	449.3	3.3	838	1 906	50.2	39.8
Couple only, reference person aged 55 to 64	506.8	2.0	977	1 285	61.1	28.2
Couple only, reference person aged 65 and over	678.8	2.0	868	749	86.4	5.9
Lone person aged 65 and over	744.3	1.0	468	383	74.0	3.5
One parent, one family households with dependent children	538.6	3.0	228	898	12.8	27.0

* estimate has a relative standard error of 25% to 50% and should be used with caution

Of the selected life cycle groups, the group with the highest mean household net worth was couple only, reference person aged 55 to 64, with a value of $977,000. Many of these people are either nearing the end of their time in the labour force or have recently retired, that is, they are at the end of the main wealth accumulation period. People over 65 had less net worth on average ($868,000 for couples and $468,000 for lone persons), at least partly reflecting a run-down of assets to support consumption in retirement. These older cohorts may also have had less opportunity for capital accumulation in earlier decades, for example, because women had lower participation rates in the paid work force.

Lone persons aged under 35 had the lowest mean household net worth, at $115,000. At $239,000, the net worth of couple households with a reference person aged under 35 was somewhat more than twice the net worth of single persons in the same age group. The couple households also had twice the level of mean gross household income of the young lone person household ($1689 per week compared to $845 per week). The mean age of persons in both household types was 28, that is, they had had the same amount of time on average to accumulate wealth.

One parent, one family households with dependent children had a mean net worth of $228,000, compared to $667,000 for couple family households with dependent children (table 19). Differences in relative age did not contribute significantly to this substantial difference in net worth, since the average age of parent was 39 years for the one parent families and 41 years for couple families. Home ownership for the one parent family households was only about half that for the couple family households (40% and 79% respectively).

Tenure and landlord type

There is a strong correlation between net worth and home ownership, as for many households, their dwelling is their main asset (see table 16 of this publication).

Owners without a mortgage had the highest mean net worth ($924,000) which is 64% higher than the mean net worth of all households ($563,000). The mean net value of owner occupied dwelling for this group is $407,000 or 44% of their total mean net worth.

Owners with a mortgage also had higher mean net worth ($591,000) than the average for all households. However, this group also had higher liabilities ($208,000) than the average for all households ($92,000). 68% of their liabilities are from the principal outstanding on loans for owner occupied dwellings.

Renters had lower mean net worth ($118,000) which is just 21% of the average for all households. Private renters averaged net worth of $126,000, while renters from state/territory housing authorities averaged net worth of $41,000.

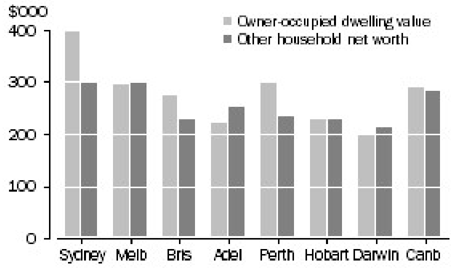
States and territories

Household net worth varies between states and territories and between capital cities and elsewhere. In 2005-06, Northern Territory households recorded the lowest mean net worth at $392,000, or 30% below the average for all Australian households. Sydney households had a mean net worth of $697,000, 18% above the capital city average of $591,000 and 24% above the average for all Australian households of $563,000. The mean net worth of $591,000 for capital city households was 15% above the mean for households in the remainder of Australia of $514,000.

In nearly all capital cities, over half the value of average household net worth was accounted for by the value of owner

occupied dwellings, as shown in the following graph. There was considerably greater variation between capital cities in dwelling values than in other net worth components.

6 MEAN NET WORTH, By capital city, 2005-06



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EXPLANATORY NOTES

INTRODUCTION

1 This publication presents a summary of findings about household wealth and wealth distribution in Australia compiled from the 2005-06 Survey of Income and Housing (SIH). The survey collected detailed information about the income, assets, liabilities and household characteristics of persons aged 15 years and over resident in private dwellings throughout Australia. In this publication, net worth is the main measure used to describe wealth.

2 This is the second issue of this publication. Detailed wealth data were collected for the first time in the previous SIH which was conducted in respect of 2003-04.

3 The statistics in this publication present a broad overview of household wealth data. Emphasis has been given to highlighting the differing household wealth compositions and distributions revealed when mean household wealth is cross-classified by various household characteristics, such as income levels and sources, family composition of the household, geographic location and reference person characteristics.

Survey of Income and Housing

4 The SIH was conducted continuously from 1994-95 to 1997-98, and then in 1999-2000, 2000-01, 2002-03, 2003-04 and 2005-06. The 2005-06 SIH collected information from a sample of approximately 10,000 households, over the period July 2005 to June 2006. Future cycles of the SIH will be conducted every two years.

5 The 2005-06 SIH was run as a stand alone survey, whereas the 2003-04 SIH was integrated with the Household Expenditure Survey (HES). This may have had an impact on response bias. The HES and SIH will be integrated each time the HES is run, with the next HES scheduled for 2009-10.

6 While net worth data were collected in respect of 2003-04 and 2005-06, they are not being collected in the 2007-08 survey. Comprehensive wealth data will only be collected in years when the HES is conducted.

7 The 2005-06 SIH survey content and methodology, including the collection of household asset and liability information, was largely a repeat of that used in the 2003-04 SIH.

8 The **Survey of Income and Housing, Australia: User Guide, 2005-06** (cat. no. 6553.0) describes the definitions, concepts, methodology and estimation procedures used in the Survey of Income and Housing.

Changes in this issue

9 Changes in this issue are:

- the inclusion of all salary sacrificed amounts in income estimates for 2003-04 and 2005-06. In previous issues estimates have included only some salary sacrificed amounts. Some of the 2003-04 income estimates included in this issue have therefore been revised to include additional salary sacrificed amounts (in Table 1 and Summary of Findings). For more information see Appendix 4 of **Household Income and Income Distribution, Australia, 2005-06** (cat. no. 6523.0).
- the use of more detailed age benchmarks when determining the weights to be allocated to each person and household in the 2005-06 estimates. For further information refer to paragraph 54 of the Explanatory Notes.
- expanded detail for age groups, splitting a category for those aged 65 years and over into two categories for 65-74 years and 75 years and over.

CONCEPTS AND DEFINITIONS

10 The concepts and definitions relating to statistics of income and net worth are described in the following section. Other definitions are included in the Glossary.

Households

11 The household is the basic unit of analysis in this publication. A household consists of one or more persons, at least one of whom is at least 15 years of age, usually resident in the same private dwelling. The persons in a household may or may not be related. They must live wholly within one dwelling.

12 The household is adopted as the basic unit of analysis because it is assumed that sharing of the use of goods and services occurs at this level. If smaller units, say persons, are adopted, then it is difficult to know how to attribute to individual household members the use of shared items such as food, accommodation and household goods. Intra-household transfers, however, are excluded. For example, if one member of the household were to pay board to another member of the same household then this is not considered as an increase in the amount of income or housing costs of the household. If such transfers were to be included there would be double counting.

Income

13 Income refers to regular and recurring cash receipts from employment, investments and transfers from government, private institutions and other households.

14 Sources from which income may be received include:

- wages and salaries (whether from an employer or own incorporated business), including income provided as part of a salary sacrifice arrangement
- profit/loss from own unincorporated business (including partnerships)
- investment income (interest, rent, dividends, royalties)
- government pensions and allowances
- private cash transfers (e.g. superannuation, regular workers' compensation, income from annuities, child support, and other transfers from other households).

15 Receipts which are excluded from income because they are not regular or recurring cash payments include:

- income in kind including employee benefits such as the provision of a house or a car and employer contributions to pension and superannuation funds, except when provided as part of a salary sacrifice arrangement
- capital transfers such as inheritances and legacies, maturity payments on life insurance policies, lump sum compensation for injuries or other damage
- capital gains and losses.

16 Receipts of family tax benefit are treated as income, regardless of whether they are received fortnightly or as a lump sum. The aged persons' savings bonus and self-funded retirees' supplementary bonus, paid as part of the introduction of The New Tax System in 2000-01, are regarded as capital transfers as they were designed to help retired people maintain the value of their savings and investments following the introduction of the GST. However, the one-off payment to seniors paid in 2000-01, the one-off payment to families paid in 2003-04 and the one-off payments to carers paid in 2003-04, 2004-05 and 2005-06 are included as income as they were primarily a supplement to existing income support payments. The maternity payment introduced in July 2004 is also included as income.

Gross income

17 Gross income is the sum of the income from all sources before income tax and the Medicare levy have been deducted. Prior to 2005-06, family tax benefit paid through the tax system or as a lump sum was excluded from gross income for practical reasons. In 2005-06 these payments have been included in gross income.

Disposable income

18 Disposable income better represents the economic resources available to meet the needs of households. It is derived by deducting estimates of personal income tax and the Medicare levy from gross income.

19 Income tax and Medicare levy payments are estimated for all households using taxation criteria for 2005-06 and the

income and other characteristics of household members reported in the survey.

20 Prior to 2005-06 the derivation of disposable income also included the addition of family tax benefit paid through the tax system or as a lump sum by Centrelink since for practical reasons it was not included in the gross income estimates.

Equivalised disposable income

21 In most tables in this publication, gross household income (as described in the previous paragraphs) is presented along with estimates of net worth. However, when using income as an approximate means of ranking households according to their relative standards of living (as in tables 1, 8 and 9), it is more appropriate to use equivalised disposable income.

22 Equivalised disposable income is calculated by adjusting disposable income by the application of an equivalence scale. This adjustment reflects the requirement for a larger household to have a higher level of income to achieve the same standard of living as a smaller household. Where disposable income is negative, it is set to zero equivalised disposable income.

23 When household income is adjusted according to an equivalence scale, the equivalised income can be viewed as an indicator of the economic resources available to a standardised household. For a lone person household, it is equal to income received. For a household comprising more than one person, equivalised income is an indicator of the household income that would be required by a lone person household in order to enjoy the same level of economic wellbeing as the household in question.

24 For more information on the use of equivalence scales, readers are referred to Appendix 3 in **Household Income and Income Distribution, Australia, 2005-06** (cat. no. 6523.0).

Lowest income decile

25 While equivalised income generally provides a useful indicator of economic wellbeing, there are some circumstances which present particular difficulties. Some households report extremely low and even negative income in the survey, which places them well below the safety net of income support provided by social security pensions and allowances. Households may underreport their incomes in the survey at all income levels, including low income households. However, households can correctly report low levels of income if they incur losses in their unincorporated business or have negative returns from their other investments.

26 Studies of income and expenditure reported in HES surveys have shown that such households in the bottom income decile and with negative gross incomes tend to have expenditure levels that are comparable to those of households with higher income levels (and slightly above the average expenditures recorded for the fifth income decile). This suggests that these households have access to economic resources such as wealth, or that the instance of low or negative income is temporary, perhaps reflecting business or investment start up. Other households in the lowest income decile in past surveys had average incomes at about the level of the single pension rate, were predominantly single person households, and their principal source of income was largely government pensions and allowances. However, on average, these households also had expenditures above the average of the households in the second income decile, which is not inconsistent with the use of assets to maintain a higher standard of living than implied by their incomes alone.

27 It can therefore be reasonably concluded that many of the households included in the lowest income decile are unlikely to be suffering extremely low levels of economic wellbeing. Income distribution analysis may lead to inappropriate conclusions if such households are used as the basis for assessing low levels of economic wellbeing. For this reason, tables showing statistics classified by equivalised income quintile include a supplementary category comprising the second and third income deciles, which can be used as an alternative to the lowest income quintile. (For an explanation of quintiles and deciles, see Appendix 1.)

28 With the 2003-04 HES, analysis of households in the lowest income decile was improved through direct observation of the expenditure and net worth of these households. An examination of these low income households was presented in Appendix 4 of **Household Wealth and Wealth Distribution, Australia 2003-04** (cat. no. 6554.0).

Net worth

29 Net worth is the value of a household's assets less the value of its liabilities. Assets can take many forms including:

- produced tangible fixed assets that are used repeatedly and for more than one year, such as dwellings and their contents, vehicles, and machinery and equipment used in businesses owned by households
- intangible fixed assets such as computer software and artistic originals
- business inventories of goods
- non-produced assets such as land
- financial assets such as bank deposits, shares, superannuation account balances, and the outstanding value of loans made to other households or businesses.

30 Liabilities are primarily the value of loans outstanding including:

- mortgages
- study loans
- investment loans
- credit card debts
- debt on other loans such as personal loans to purchase vehicles.

31 In SIH, some asset and liability data is collected on a net basis rather than collecting for each component listed above. For example, if a survey respondent owned or part owned a business, they are asked how much they would receive if they sold their share of the business and paid off any outstanding debts.

32 Outstanding loans reflect the amount owing for an asset. The equity held in an asset may increase over time as an outstanding loan amount is reduced (e.g. the value of a dwelling with relation to the loan amount outstanding on that dwelling). Where only the proportion of a loan is used for a purpose, only the proportion outstanding for this purpose is included. The proportioning of loans applies to all of the examples mentioned in this publication, particularly in the paragraphs below.

33 Value of property estimates include the value of any associated land which would be included in the sale of the dwelling if it were sold (for separate houses it includes value of land, for caravans it includes value of site if owned by the household, for farm dwellings it includes home paddock). The estimated value is reported by the household respondent.

Relationship between net worth and income

34 This publication provides information about the net worth and income of households, but it would be misleading to assume that household net worth and household income necessarily have a positive relationship. Higher income households may have higher wealth as wealthier households have more assets to earn income and higher income households also have a higher propensity to save.

35 However, household net worth is also dependent on other characteristics such as life cycle effects, family composition etc. The differences in the distribution of wealth and income partly reflect the common pattern of wealth being accumulated during a person's working life, and then being utilised during retirement. Some households with relatively low wealth have relatively high income, especially if they are younger households. Conversely older households may have accumulated relatively high net worth over their lifetimes, but have relatively low income in their retirement.

Relationship between net worth from SIH and from the Australian System of National Accounts

36 This publication contains estimates of the wealth of Australian households compiled from data collected in the SIH. The Australian System of National Accounts (ASNA) also provide estimates of the net worth of Australian households. Appendix 3 compares wealth data from the two data sets and describes and quantifies some of the major scope, definitional and methodological differences between the two.

SURVEY METHODOLOGY

Scope and coverage

37 The survey collects information by personal interview from usual residents of private dwellings in urban and rural areas of Australia, covering about 98% of the people living in Australia. Private dwellings are houses, flats, home units, caravans, garages, tents and other structures that were used as places of residence at the time of interview. Long-stay caravan parks are also included. These are distinct from non-private dwellings which include hotels, boarding schools, boarding houses and institutions. Residents of non-private dwellings are excluded.

38 The survey also excludes:

- households which contain members of non-Australian defence forces stationed in Australia
- households which contain diplomatic personnel of overseas governments
- households in collection districts defined as very remote - this has only a minor impact on aggregate estimates except in the Northern Territory where such households account for about 24% of the population.

Data collection

39 Information for each household was collected using:

- a household level computer assisted interview questionnaire which collected information on household characteristics, assets and liabilities
- an individual level computer assisted interview questionnaire which collected information on income and other personal characteristics from each usual resident aged 15 years and over.

40 Sample copies of the above documents are included in the **Survey of Income and Housing, Australia: User Guide 2005-06** (cat. no. 6553.0).

Sample design

41 The sample was designed to produce reliable estimates for broad aggregates for households resident in private dwellings aggregated for Australia, for each state and for the capital cities in each state and territory. More detailed estimates should be used with caution, especially for Tasmania, the Northern Territory and the Australian Capital Territory (see Appendix 2).

42 For the 2005-06 SIH, dwellings were selected through a stratified, multistage cluster design. Selections were distributed across a twelve month enumeration period so that the survey results would be representative of income patterns across the year. In the final quarter of enumeration, 25% of the selected dwellings were deselected from the sample. This reduced the overall number of dwellings selected to participate in the survey. This outcome will increase the standard error in the final quarter estimates and hence the standard error in the annualised estimates. This increase in standard error is included in the error estimation. The relative change in sample size across the enumeration quarters may also introduce some bias to the annualised estimates but this is expected to be much less than the standard error.

Non-responding households

43 Of the selected dwellings there were 12,311 in the scope of the survey. Of these, 2,350 did not respond at all to the questionnaire, or did not respond adequately. Such households included:

- households affected by death or illness of a household member
- households in which the significant person(s) in the household did not respond because they could not be contacted, had language problems or refused to participate
- households in which the significant person(s) did not respond to key questions.

Partial response and imputation

44 Some other households did not supply all the required information but supplied sufficient information to be retained in the sample. Such partial response occurs when:

- income or other data in a questionnaire are missing from one or more non-significant person's records because they are unable or unwilling to provide the data
- all key questions are answered by the significant person(s) but other data are missing.

45 In these cases, the data provided are retained and the missing data are imputed by replacing each missing value with a value reported by another person (referred to as the donor).

46 Donor records are selected by finding fully responding persons with matching information on various characteristics (such as state, sex, age, labour force status and income) as the person with missing information. As far as possible, the imputed information is an appropriate proxy for the information that is missing. Depending on which values are to be imputed, donors are randomly chosen from the pool of individual records with complete information for the block of

questions where the missing information occurs.

47 In previous SIH surveys, responses were also imputed when not every person aged 15 or over residing in the household responded, but the significant person(s) provided answers to all key questions. In 2005-06 these households were regarded as non-responding.

Final sample

48 The final sample on which estimates were based, is composed of persons for which all necessary information is available. The information may have been wholly provided at the interview (fully-responding) or may have been completed through imputation for partially responding households. Of the selected dwellings, there were 12,311 in the scope of the survey, of which 9,961 (80.9%) were included as part of the final estimates. The final sample consists of those 9,961 households, comprising 19,212 persons aged 15 years old and over. The final sample includes 2,441 households which had at least one imputed value in either income or assets and liabilities. For 57% of these households only a single value was missing, and most of these were for superannuation assets or a minor source of income for the household.

SIH FINAL SAMPLE: NUMBER OF HOUSEHOLDS, 2005-06

	CAPITAL CITY		Balance of State		Total	
	Households	Persons(a)	Households	Persons(a)	Households	Persons(a)
	no.	no.	no.	no.	no.	no.
NSW	1 415	2 879	948	1 807	2 363	4 686
Vic.	1 247	2 478	596	1 102	1 843	3 580
Qld	798	1 530	896	1 753	1 694	3 283
SA	1 037	1 934	295	534	1 332	2 468
WA	1 031	1 987	335	622	1 366	2 609
Tas.	337	641	440	787	777	1 428
NT	117	246	46	82	163	328
ACT	423	830	-	-	423	830
Aust.	6 405	12 525	3 556	6 687	9 961	19 212

- nil or rounded to zero (including null cells)
(a) Number of persons aged 15 years and over

Weighting

49 Weighting is the process of adjusting results from a sample survey to infer results for the total in scope population whether that be persons or households. To do this, a 'weight' is allocated to each sample unit e.g. a person or a household. The weight is a value which indicates how many population units are represented by the sample unit. The first step in calculating weights for each unit is to assign an initial weight, which is the inverse of the probability of being selected in the survey. For example, if the probability of a household being selected in the survey was 1 in 600, then the household would have an initial weight of 600 (that is, it represents 600 households).

50 The initial weights are then calibrated to align with independent estimates of the population of interest, referred to as 'benchmarks'. Weights calibrated against population benchmarks ensure that the survey estimates conform to the independently estimated distribution of the population rather than to the distribution within the sample itself.

51 The SIH survey was benchmarked to the in scope estimated resident population (ERP) and the estimated number of households in the population.

52 Three types of benchmarks are used in the calibration of the final weights:

- numbers of persons aged 15 and over
- numbers of children under age 15
- numbers of households.

53 Person benchmarks for persons aged 15 and over are estimates of the number of people in each state and territory by age and sex, the number of people in each state and the ACT by labour force status and the number of people in each state living in the capital city or the balance of the state.

54 The benchmark variables used are the same as those used in the 2003-04 SIH. The only change has been in the age groups which now consist of mainly 5 year groups instead of 10 year groups, and extending the benchmarking for older ages by splitting a broad category for those aged 65 years and over into three categories for 65-69 years, 70-74 years and 75 years and over. The expanded detail for age groups in SIH 2005-06 aims to improve estimates across all ages,

but particularly for older people. The impact of this change on all other estimates not involving age is expected to be minimal.

55 A separate set of benchmarks is used for children under 15, since there are not individual person records for them in the survey. Information about children is recorded on household records, however, and benchmarks for the number of children aged 0-4 and aged 5-14 are used for each state and territory.

56 Numbers of households are calibrated to benchmarks for total Australia with respect to household composition (based on the number of adults (1, 2 or 3+) and whether or not the household contains children).

57 The person and household benchmarks are based on estimates of numbers of persons and households in Australia. The benchmarks are adjusted to include persons and households residing in private dwellings only and therefore do not, and are not intended to, match estimates of the Australian resident population published in other ABS publications.

Estimation

58 Estimates produced from the survey are usually in the form of averages (e.g. mean household net worth of couple households with dependent children), or counts (e.g. total number of households that own their dwelling). For counts of households, the estimate was obtained by summing the weights for the responding households in the required group (e.g. those owning their own dwelling). For counts of persons, the household weights were multiplied by the number of persons in the household before summing.

59 Estimates of mean net worth are obtained by multiplying the net worth of each household by the weight of the household, summing across all households and then dividing by the estimated number of households.

60 Mean income values are obtained in two different ways, depending on whether mean gross household income or mean equivalised disposable household income is being derived. Estimates of mean gross household income are obtained by multiplying the gross income of each household by the weight of the household, summing across all households and then dividing by the estimated number of households. For example, the mean gross household income of couple households with dependent children is the weighted sum of the gross income of each such household divided by the estimated number of those households.

61 Estimates of mean equivalised disposable household income are obtained by multiplying the equivalised disposable income of each household by the number of people in the household (including children) and by the weight of the household, summing across all households and then dividing by the estimated number of people in the population group. For more information on differences between mean gross household income calculated on a household weighted basis and mean equivalised disposable household income calculated on a person weighted basis, readers are referred to Appendix 3 in **Household Income and Income Distribution, Australia, 2005-06** (cat. no. 6523.0).

RELIABILITY OF ESTIMATES

62 The estimates provided in this publication are subject to two types of error, non-sampling and sampling error.

Non-sampling error

63 Non-sampling error can occur in any collection, whether the estimates are derived from a sample or from a complete collection such as a census. Sources of non-sampling error include non-response, errors in reporting by respondents or recording of answers by interviewers and errors in coding and processing the data.

64 Non-sampling errors are difficult to quantify in any collection. However, every effort is made to reduce non-sampling error to a minimum by careful design and testing of the questionnaire, training of interviewers, and extensive editing and quality control procedures at all stages of data processing.

65 One of the main sources of non-sampling error is non-response by persons selected in the survey. Non-response occurs when people cannot or will not cooperate or cannot be contacted. Non-response can affect the reliability of results and can introduce a bias. The magnitude of any bias depends upon the level of non-response and the extent of the difference between the characteristics of those people who responded to the survey and those who did not.

66 The following methods were adopted to reduce the level and impact of non-response:

- face-to-face interviews with respondents
- the use of interviewers who could speak languages other than English, where necessary
- follow-up of respondents if there was initially no response
- imputation of missing values
- ensuring that the weighted data is representative of the population (in terms of demographic characteristics) by aligning the estimates with population benchmarks.

Sampling error

67 The estimates are based on a sample of possible observations and are subject to sampling variability. The estimates may therefore differ from the figures that would have been produced if information had been collected for all households. A measure of the sampling error for a given estimate is provided by the standard error, which may be expressed as a percentage of the estimate (relative standard error). Further information on sampling error is given in Appendix 2 in this publication.

Comparison with other data sources

68 Appendix 3 provides a comparison of the wealth data presented in this publication with the wealth data presented in the ASNA, describing some of the major scope, definitional and methodological differences between the two.

ACKNOWLEDGMENT

69 ABS publications draw extensively on information provided freely by individuals, businesses, governments and other organisations. Their continued cooperation is very much appreciated: without it, the wide range of statistics published by the ABS would not be available. Information received by the ABS is treated in strict confidence as required by the **Census and Statistics Act 1905**.

SPECIAL DATA SERVICES

70 The ABS offers specialist consultancy services to assist clients with more complex statistical information needs. Clients may wish to have the unit record data analysed according to their own needs, or require tailored tables incorporating data items and populations as requested by them. Tables and other analytic outputs can be made available electronically or in printed form. However, as the level of detail or disaggregation increases with detailed requests, the number of contributors to data cells decreases. This may result in some requested information not being able to be released due to confidentiality or sampling variability constraints. All specialist consultancy services attract a service charge, and clients will be provided with a quote before information is supplied. For further information, contact ABS information consultants on 1300 135 070.

UNIT RECORD FILE

71 A basic confidentialised unit record file (CURF) from the 2005-06 SIH is available on CD Rom. A more detailed expanded SIH CURF is also available through the ABS Remote Access Data Laboratory. A full range of up-to-date information about the availability of ABS CURFs and about applying for access to CURFs is available via the ABS web site <https://www.abs.gov.au> (see Services We Provide, Confidentialised Unit Record Files (CURFs)). Inquiries to the ABS Microdata Access Strategies Section should be emailed to: microdata.acess@abs.gov.au, or telephone (02) 6252 7714.

RELATED PUBLICATIONS

72 Users may wish to refer to the following related ABS products:

- **Household Income and Income Distribution, Australia, 2005-06**, (cat. no. 6523.0)
- **Household Income and Income Distribution, Australia, Detailed Tables, 2005-06**, (cat. no. 6523.0.55.001)
- **Survey of Income and Housing, Australia: User Guide, 2005-06**, (cat. no. 6553.0)
- **Household Expenditure Survey, Australia: Summary of Results, 2003-04**, (cat. no. 6530.0)
- **Household Expenditure Survey, Detailed Expenditure Items, 2003-04**, (cat. no. 6535.0.55.001)
- **Government Benefits, Taxes and Household Income, Australia, 2003-04**, (cat. no. 6537.0)
- **Working Paper in Econometrics and Applied Statistics: Experimental Estimates of the Distribution of Household Wealth, 1994-2000. Working Paper 2002/1 September 2002**, (cat. no. 1351.0)
- **Household Expenditure Survey and Survey of Income and Housing, Australia: User Guide, 2003-04**, (cat. no. 6503.0)

- **Housing Occupancy and Costs, Australia, 2005-06**, (cat. no. 4130.0.55.001)
- **Measuring Wellbeing: Frameworks for Australian Social Statistics, 2001**, (cat. no. 4160.0)
- **Measures of Australia's Progress, 2006**, (cat. no. 1370.0)

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GLOSSARY

Accounts with financial institutions

Current balances of the accounts held with banks or any other financial institutions e.g. credit unions, building societies, insurance companies, finance companies. Examples of types of accounts include: passbook, statement, cheque or term deposit accounts.

Assets

An entity of a financial or non-financial nature, owned by the household or its members, and from which economic benefits may be derived by holding or use over a period of time.

Balance of state

That part of each Australian state or territory not defined as capital city. Balance of state estimates for Northern Territory are regarded as too unreliable to publish separately since they exclude collection districts defined as very remote, which account for a significant proportion of the population. All of the Australian Capital Territory is defined as capital city for this publication.

Bond

A bond is a certificate of ownership of a specified portion of a debt. May be issued by a government agency or private corporation to individuals or companies and usually bears a fixed interest rate of return on investment.

Capital city

Refers to Australia's six State capital city Statistical Divisions and the Darwin Statistical Division as defined in the **Australian Standard Geographical Classification (ASGC)** (cat. no. 1216.0). For the Australian Capital Territory the estimates relate predominantly to urban areas.

Children's assets

Any assets owned by children in the household that are not included in the value of the household contents. These assets can be financial (e.g. a child's bank accounts, assets held in trusts, bonds, debenture stock) or can be non-financial such as jewellery or property held in trust for the children.

Collection district

The Census Collection District (CD) is the smallest geographic area defined in the **Australian Standard Geographical Classification** (cat. no. 1216.0).

Contents of dwelling

This is a non-financial asset and comprises an estimated value of household contents. Examples include: clothing, jewellery, hobby collections, furniture, paintings and works of art, soft furnishings and electrical appliances other than

fixtures such as stoves and built-in items.

Consumer Price Index (CPI)

A general measure of price inflation for the household sector in Australia. Specifically, it provides a measure of changes, over time, in the cost of a constant basket of goods and services acquired by the capital city households in Australia.

Couple

See One family households.

Couple family with dependent children

See One family households.

Credit card debt

The amount owing on the respondent's latest credit card account statement (including any government, interest or financial institution charges), irrespective of whether it was paid off by the due date. Includes amounts owing on specialised retail shopping cards as well as general credit cards such as Visa, Mastercard and Bankcard.

Debenture

A formal acknowledgement of indebtedness by a company. Interest is paid by the company at specific intervals. A loan or deposit can be called a debenture if it is secured over company assets. Unlike shareholders, debenture holders have a creditor relationship with the company. Instead of dividends, debenture holders receive interest on their debentures which is accounted for by the company as an expense.

Deciles

Groupings that result from ranking all households or persons in the population in ascending order according to some characteristic such as their household income and then dividing the population into 10 equal groups, each comprising 10% of the estimated population.

Dependent children

All persons aged under 15 years; and people aged 15-24 years who are full-time students, have a parent in the household and do not have a partner or child of their own in the household.

Disposable income

Gross income less income tax and the Medicare levy, i.e. remaining income after taxes are deducted, which is available to support consumption and/or saving. Income tax and the Medicare levy are imputed based on each person's income and other characteristics as reported in the survey. Disposable income is sometimes referred to as net income.

Dwelling

Defined as a suite of rooms contained within a building which are self-contained and intended for long-term residential use. To be self-contained the suite of rooms must possess cooking and bathing facilities as building fixtures. Examples of types of dwelling include: separate house; semi-detached, row or terrace house or townhouse; flat, unit, or apartment; and other dwelling, including caravan, cabin, houseboat, and house or flat attached to a shop.

Employed

Persons aged 15 years and over who, during the week before the interview:

- worked one hour or more for pay, profit, commission or payment in kind in a job or business, or on a farm (includes employees, employers and own account workers)
- worked one hour or more, without pay, in a family business or on a family farm
- had a job, business or farm but was not at work because of holidays, sickness or other reason.

Employee

An employed person who, for most of his/her working hours:

- works for a public or private employer and receives remuneration in wages or salary, or is paid a retainer fee by his/her employer and works on a commission basis, or works for an employer for tips, piece-rates or payment in kind, or
- operates his or her own incorporated business with or without hiring employees.

Employer

A person who operates his or her own unincorporated economic enterprise or engages independently in a profession or trade, and hires one or more employees.

Equivalised disposable household income

Disposable household income adjusted using an equivalence scale. For a lone person household it is equal to disposable household income. For a household comprising more than one person, it is an indicator of the disposable household income that would need to be received by a lone person household to enjoy the same level of economic wellbeing as the household in question. For further information see Appendix 3 in **Household Income and Income Distribution, Australia, 2005-06** (cat. no. 6523.0).

Family

Two or more people, one of whom is at least 15 years of age, who are related by blood, marriage (registered or de facto), adoption, step or fostering and who usually live in the same household. A separate family is formed for each married couple, or for each set of parent-child relationships where only one parent is present.

Family composition of household

Classifies households into three broad groupings based on the number of families present (one family, multiple family and non-family). One family households are further disaggregated according to the type of family (such as couple family or one parent family) and according to whether or not dependent children are present. Non-family households are disaggregated into lone person households and group households.

Financial assets

An asset whose value arises not from its physical existence (as would a building, piece of land, or capital equipment) but from a contractual relationship. Financial assets are mostly financial claims (with the exception of shares). Financial claims entitle the owner to receive a payment, or a series of payments, from an institutional unit to which the owner has provided funds. Examples include accounts held with financial institutions, ownership of an incorporated business, shares, debentures and bonds, trusts, superannuation funds, and loans to other persons.

Full-time student

A person 15 years or over who is classified as a full-time student by the institution they attend, or considers himself/herself to be a full-time student. Full-time study does not preclude employment.

Government pensions and allowances

Income support payments from government to persons under social security and related government programs. Included are pensions and allowances received by aged, disabled, unemployed and sick persons, families and children, veterans or their survivors, and study allowances for students. All overseas pensions and benefits are included here, although some may not be paid by overseas governments. The one-off payment to seniors paid in 2000-01, the one-off payment to families paid in 2003-04 and the one-off payments to carers paid in 2003-04, 2004-05 and 2005-06 are included. Family tax benefit is also regarded as income. However, prior to 2005-06, family tax benefit paid through the tax system or as a lump sum by Centrelink was only included in disposable income, and not gross income.

Gross income

Regular cash receipts (including salary sacrificed income) before income tax or the Medicare levy are deducted.

Group household

See Non-family households.

Household

A person living alone or a group of related or unrelated people who usually live in the same private dwelling.

Income

Regular and recurring cash receipts including money received from:

- wages and salaries (whether from an employer or own incorporated enterprise), including income provided as part of a salary sacrifice arrangement
- profit/loss from own unincorporated business (including partnerships)
- investment income (interest, rent, dividends, royalties)
- government pensions and allowances
- private cash transfers (e.g. superannuation, regular workers' compensation, income from annuities, child support, and other transfers from other households).

Gross income is the sum of the income from all these sources before income tax or the Medicare levy are deducted. Note that child support and other transfers from other households are not deducted from the incomes of the households making the transfers. Other measures of income are disposable income and equivalised disposable income.

See also Gross income, Disposable income and Equivalised disposable income.

Incorporated business

An incorporated business is a company that has a registered business name with the **Australian Securities and Investment Commission (ASIC)** and a legal status which is separate to that of the individual owners of the business.

Investment loan

A loan taken out for the purpose of financing investment, excluding loans for business purposes and rental property.

Labour force status

Classifies all people aged 15 years and over according to whether they were employed, unemployed or not in the labour force.

Landlord type

For renters, the type of entity to whom rent is paid or with whom the tenure contract or arrangement is made. Renters belong to one of the following categories:

- state/territory housing authority-where the household pays rent to a state or territory housing authority or trust
- private landlords-where the household pays rent to a real estate agent or to another person not in the same household
- other-where the household pays rent to the owner/manager of a caravan park, an employer (including a government authority), a housing cooperative, a community or church group, or any other body not included elsewhere.

Liability

A liability is an obligation which requires one unit (the debtor) to make a payment or a series of payments to the other unit (the creditor) in certain circumstances specified in a contract between them.

Loan

A form of liability that is created when creditors lend funds directly to debtors. Examples are an overdraft from a bank, money lent by a building society with a mortgage over a property as collateral, and personal loans.

Loans for owner occupied dwelling

Principal outstanding on loans used to purchase, build, alter, or make additions to the selected dwelling. Includes money borrowed for a deposit on the selected dwelling, and bridging finance taken out until such time as a loan or mortgage is obtained or the dwelling is bought outright. Where only a proportion of a loan is used for the owner occupied dwelling, only that proportion of the principal outstanding is included.

Lone person household

See Non-family households.

Mean income

The total income received by a group of units divided by the number of units in the group. For more detail about household weighted and person weighted means, see Appendix 1.

Mean net worth

The total net worth of a group of units divided by the number of units in the group. For more detail about household weighted and person weighted means, see Appendix 1.

Median income

That level of income which divides the units in a group into two equal parts, one half having incomes above the median and the other half having incomes below the median.

Median net worth

That level of net worth which divides the units in a group into two equal parts, one half having net worth above the median and the other half having net worth below the median.

Medicare levy

Medicare is Australia's universal health care system. The Medicare levy is a specific tax, based on individual income, intended to assist in the funding of this system.

Multiple family household

A household containing two or more families. Unrelated individuals may also be present.

Negative income

Income may be negative when a loss accrues to a household as an owner or partner in unincorporated businesses or rental properties. Losses occur when operating expenses and depreciation are greater than gross receipts.

Negative net worth

Net worth may be negative when household liabilities exceed household assets.

Net worth

Net worth represents the difference between the value of household assets (both financial and non-financial) and the value of household liabilities. Net worth is positive when the value of a household's assets exceeds the value of its liabilities. Net worth is negative when household liabilities exceed household assets. For further information refer to the Explanatory Notes.

Non-dependent children

All people aged 15 years and over who:

- do not have a spouse or offspring of their own in the household
- have a parent in the household, and
- are not full-time students aged 15-24 years.

Non-family household

A household that consists of unrelated persons only. Non-family households are classified to one of the following categories:

- Group household - a household consisting of two or more unrelated persons where all persons are aged 15 years and over. There are no reported couple relationships, parent-child relationships or other blood relationships in these households.
- Lone person household - a household consisting of a person living alone.

Non-financial assets

Non-financial assets are all assets other than financial assets. Examples include residential and non-residential property, household contents and vehicles.

Not in the labour force

Persons not in the categories employed or unemployed as defined.

One family household

One family households are classified to one of the following categories:

- Couple only - two persons in a registered or de facto marriage, who usually live in the same household
- Couple family with dependent children - a household consisting of a couple with at least one dependent child. The household may also include non-dependent children, other relatives and unrelated individuals
- One parent family with dependent children - a household comprising a lone parent with at least one dependent child. The household may also include non-dependent children, other relatives and unrelated individuals
- Other one family households - a household comprising:
    - one couple with their non-dependent children only
    - one couple, with or without non-dependent children, plus other relatives
    - one couple, with or without non-dependent children or other relatives, plus unrelated individuals
    - a lone parent with his/her non-dependent children, with or without other relatives and unrelated individuals
    - two or more related individuals where the relationship is not a couple relationship or a parent-child relationship (e.g. two brothers).

One parent family with dependent children

See One family households.

Other income

Income other than wages and salaries, own business or partnership income and government pensions and allowances. This includes income received as a result of ownership of financial assets (interest, dividends), and of non-financial assets (rent, royalties), and other regular receipts from sources such as superannuation, child support, workers' compensation and scholarships. Income from rent is net of operating expenses and depreciation and is negative if these are greater than gross receipts.

Other landlord type

Where the household pays rent to the owner/manager of a caravan park, an employer (including a government authority), a housing cooperative, a community or church group, or any other body not included elsewhere.

Other one family household

See One family households.

Other property loans

Principal outstanding on loans used to purchase, build, alter, or make additions to property rented out, loans taken out by people in rental properties who are buying or building a home somewhere else, and loans taken out for alterations and additions to other property. Where only a proportion of a loan is used for the property, only that proportion of the principal outstanding is included.

Other tenure type

A household which is not an owner, with or without a mortgage, or a renter. Includes rent free.

Own account worker

A person who operates his or her own unincorporated business or engages independently in a profession or trade and hires no employees.

Own unincorporated business income

The profit/loss that accrues to persons as owners of, or partners in, unincorporated businesses. Profit/loss consists of the value of gross output of the business less operating expenses (including depreciation). Losses occur when operating expenses are greater than gross receipts and are treated as negative income.

Owner (of dwelling)

A household in which at least one member owns the dwelling. Owners are divided into two classifications - owners without a mortgage and owners with a mortgage. If there is any outstanding mortgage or loan secured against the dwelling the household is an owner with a mortgage. If there is no mortgage or loan secured against the dwelling the household is an owner without a mortgage. Owners without a mortgage can be referred to as outright owners, and owners with a mortgage as mortgagees.

Percentile

When all households or people in the population are ranked from the lowest to the highest on the basis of some characteristic such as their household income or net worth, they can then be divided into equal sized groups. Division into 100 equal groups gives percentiles. The highest value of the characteristic in the tenth percentile is denoted P10. The median or the top of the 50th percentile is denoted P50. P20, P80 and P90 denote the highest values in the 20th, 80th and 90th percentiles. Ratios of values at the top of selected percentiles, such as P90/P10, are often called percentile ratios. See Appendix 1 for information on the use of percentile ratios in analysing distributions.

Principal source of income

That source from which the most positive income is received. If total income is nil or negative the principal source is undefined. As there are several possible sources, the principal source may account for less than 50% of total income.

Private income

Regular, recurring receipts from private organisations, including wages and salaries, income from own business, superannuation, regular workers' compensation, income from annuities, interest, dividends, royalties, income from rental properties, scholarships and child support.

Property

All residential and non-residential properties owned by persons in the household, excluding properties owned by the respondent's business.

Quintiles

Groupings that result from ranking all households or people in the population in ascending order according to some characteristic such as their household income and then dividing the population into five equal groups, each comprising 20% of the estimated population.

Ratio of values at the top of selected percentiles

See Percentiles

Reference person

The reference person for each household is chosen by applying, to all household members aged 15 years and over, the selection criteria below, in the order listed, until a single appropriate reference person is identified:

- one of the partners in a registered or de facto marriage, with dependent children
- one of the partners in a registered or de facto marriage, without dependent children

- a lone parent with dependent children
- the person with the highest income
- the eldest person.

For example, in a household containing a lone parent with a non-dependent child, the one with the higher income will become the reference person. However, if both individuals have the same income, the elder will become the reference person.

Relative standard error (RSE)

The standard error expressed as a percentage of the estimate for which it was calculated. It is a measure which is independent of both the size of the sample and the unit of measurement, and as a result can be used to compare the reliability of different estimates. The smaller an estimate's RSE, the more likely it is that the estimate is a good proxy for that which would have been obtained if the whole population had been surveyed. For further information see Appendix 2.

Renter

A household which pays rent to reside in the dwelling. See further classification by Landlord type.

Salary sacrifice

An arrangement under which an employee agrees contractually to forgo part of their remuneration, which the employee would otherwise receive as wages and salaries, in return for the employer or someone associated with the employer providing benefits of a similar value.

Selected dwelling

The private dwelling selected in the sample for the survey. See the Explanatory Notes for details of types of dwellings and how they are selected for this survey.

Shares

A share is a contract between the issuing company and the owner of the share which gives the latter an interest in the management of the corporation and the right to participate in profits. In this publication the "value of shares" excludes the value of shares held by individuals in their own incorporated business. Such shares are included in "value of own incorporated business".

Significant person

Significant persons are defined as follows:

- all members of a lone person or couple only household
- all parents in a couple with children household or a single parent household
- the persons aged 15 years or over in an unrelated persons household where one person is aged 15 years or over and the other members of the household are less than 15 years old
- 50% of the persons aged 15 years and over in all other households.

Standard error

A measure of the likely difference between estimates obtained in a sample survey and estimates which would have been obtained if the whole population had been surveyed. The magnitude of the standard error associated with any survey is a function of sample design, sample size and population variability.

Statistical Division (SD)

The largest spatial unit within each state/territory in the main structure of the **Australian Standard Geographical Classification (ASGC)** (cat. no. 1216.0).

Study loans

Study loans are debts incurred under Higher Education Loans Programmes (HELP) (such as the Higher Education Contribution Scheme (HECS-HELP)) and under the Student Financial Supplement Scheme (SFSS). A feature of these loans is that the obligation to repay them only exists when the student's income exceeds a threshold. The debt is also extinguished upon death.

Superannuation

A long-term savings arrangement which operates primarily to provide income for retirement.

Tenure type

The nature of a household's legal right to occupy the dwelling in which the household members usually reside. Tenure is determined according to whether the household owns the dwelling outright, owns the dwelling but has a mortgage or loan secured against it, is paying rent to live in the dwelling, or has some other arrangement to occupy the dwelling.

Trusts

Any type of managed fund which involves the pooling of investors' money in order for a trustee or professional manager to administer that fund. Examples include listed and unlisted public unit trusts, cash management trusts and property trusts.

Unemployed

Persons aged 15 years and over who were not employed during the week before the interview and had actively looked for full-time or part-time work at any time in the four weeks before the interview and:

- were available for work in the week before the interview, or
- were waiting to start a new job within four weeks from the interview and would have started in the week before the interview if the job had been available then.

Unincorporated business

A business in which the owner(s) and the business are the same legal entity, so that, for example, the owner(s) are personally liable for any business debts that are incurred.

Value of dwelling

The estimated value of the dwelling and its land, as estimated and reported by the respondent. The data are only collected for owners.

Vehicles

Vehicles include registered and unregistered vehicles used for private purposes including cars, trucks, buses, motorcycles, caravans, aircraft, boats and bicycles.

Vehicle loans

Principal outstanding on loans used to purchase motor vehicles. Where only a proportion of a loan is used to purchase a

vehicle, only that proportion of the principal outstanding is included.

Wages and salaries

The gross cash income received as a return to labour from an employer or from a person's own incorporated business. Salary sacrificed income is regarded as cash or 'near cash' income and is included in the scope of wages and salaries.

Wealth

See Net worth.

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ABBREVIATIONS

The following symbols and abbreviations are used in this publication:

ABS	Australian Bureau of Statistics
ACT	Australian Capital Territory
ASNA	Australian System of National Accounts
Aust.	Australia
CD	collection district
CPI	consumer price index
CURF	confidentialised unit record file
excl.	excluding
ERP	estimated resident population
HES	Household Expenditure Survey
nec	not elsewhere classified
no.	number
NPISH	non-profit institutions serving households
NSW	New South Wales
NT	Northern Territory
Qld	Queensland
RSE	relative standard error
SA	South Australia
SE	standard error
SIH	Survey of Income and Housing
Tas.	Tasmania
Vic.	Victoria
WA	Western Australia

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APPENDIX 1 ANALYSING WEALTH DISTRIBUTION

INTRODUCTION

There are several ways to illustrate aspects of the distribution of wealth and to measure the extent of inequality. In this publication, four main types of indicators used are: means and medians, frequency distributions, percentile ratios and net worth shares. This appendix describes how these indicators are derived.

MEAN AND MEDIAN

Mean household net worth (total net worth divided by the number of households) and median household net worth (the midpoint when all households are ranked in ascending order of net worth) are simple indicators that can be used to show differences between subgroups of the population. Many tables in this publication include mean and median household net worth data.

The publication also includes information on mean and median household income. In most tables the income measure used is gross household income, and the means and medians are calculated with respect to the number of households. However, when the income measure used is equivalised disposable household income, mean and median income are calculated with respect to the number of persons. This enables people in large households to have the same contribution to the mean/median as people living alone, and is possible because equivalised disposable household income is an indicator of the economic resources available to each individual in a household.

The method for calculating means is described under 'Estimation' in the Explanatory Notes.

FREQUENCY DISTRIBUTION

A frequency distribution can be used to illustrate the location and spread of net worth within a population. It groups the population into classes by net worth and gives the number or proportion of households in each range. A graph of the frequency distribution is a good way to portray the essence of a wealth distribution. Graph 1 in the Summary of Findings shows the proportion of households within $100,000 net worth ranges.

Frequency distributions can provide considerable detail about variations in the population being described, but it is difficult to describe the differences between two frequency distributions. They are therefore often accompanied by other summary statistics, such as the mean and median. Taken together, the mean and median can provide an indication of the shape of the frequency distribution. As can be seen in Graph 1 in the Summary of Findings, the distribution of net worth tends to be asymmetrical, with a small number of households having relatively high net worth and a larger number of households having relatively low net worth. The greater the asymmetry, the greater will be the difference between the mean and the median.

QUANTILE MEASURES

When households (or any other units) are ranked from the lowest to the highest on the basis of some characteristic such as their household wealth, they can then be divided into equally sized groups. The generic term for such groups is quantiles.

Quintiles, deciles and percentiles

When the population is divided into five equally sized groups, the quantiles are called quintiles. If there are 10 groups, they are deciles and division into 100 groups gives percentiles. Thus the first quintile will comprise the first two deciles and the first 20 percentiles.

This publication presents data classified into net worth quintiles and gross income quintiles. These quintiles each comprise the same number of households. In some tables, data presented are classified into equivalised disposable household income quintiles. Because equivalised disposable household income can be viewed as an indicator of the economic resources available to individuals in a household, these quintiles each comprise the same number of persons.

When data are presented by equivalised disposable household income quintiles they are supplemented by data relating to the 2nd and 3rd deciles. These deciles are included to enable quintile style analysis to be carried out without undue impact from very low incomes which may not accurately reflect levels of economic wellbeing (see paragraphs 26 and 27 in the Explanatory Notes).

Upper values and medians

In some analyses, the statistic of interest is the boundary between quantiles. This is usually expressed in terms of the upper value of a particular percentile. For example, the upper value of the first quintile is also the upper value of the 20th percentile and is described as P20. The upper value of the ninth decile is P90. The median of a whole population is P50, the median of the 3rd quintile is also P50, the median of the first quintile is P10, etc.

Percentile ratios

Percentile ratios summarise the relative distance between two points on a distribution. To illustrate the full spread of a distribution, the percentile ratio needs to refer to points near the extremes of the distribution, for example, the P90/P10 ratio. The P80/P20 ratio better illustrates the magnitude of the range within which the net worth of the majority of the population fall. The P80/P50 and P20/P50 ratios focus on comparing the ends of the distribution with the midpoint (the median).

Net worth shares

Net worth shares can be calculated and compared for each quintile (or any other subgrouping) of a population. The aggregate net worth of the units in each quintile is divided by the overall aggregate net worth of the entire population to derive net worth shares.

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APPENDIX 2 SAMPLING VARIABILITY

INTRODUCTION

The estimates in this publication are based on information obtained from the occupants of a sample of dwellings. Therefore, the estimates are subject to sampling variability and may differ from the figures that would have been produced if information had been collected for all dwellings.

One measure of the likely difference is given by the standard error (SE), which indicates the extent to which an estimate might have varied because only a sample of dwellings was included. There are about two chances in three that the sample estimate will differ by less than one SE from the figure that would have been obtained if all dwellings had been included, and about 19 chances in 20 that the difference will be less than two SEs. Another measure of the likely difference is the relative standard error (RSE), which is obtained by expressing the SE as a percentage of the estimate.

For estimates of population sizes, the size of the SE generally increases with the level of the estimate, so that the larger the estimate the larger the SE. However, the larger the sampling estimate the smaller the SE in percentage terms (RSE). Thus, larger sample estimates will be relatively more reliable than smaller estimates.

In the tables in this publication, only estimates with RSEs of 25% or less are considered reliable for most purposes. Estimates with RSEs greater than 25% but less than or equal to 50% are annotated by an asterisk to indicate they are subject to high SEs and should be used with caution. Estimates with RSEs of greater than 50%, annotated by a double asterisk, are considered too unreliable for general use and should only be used to aggregate with other estimates to provide derived estimates with RSEs of 25% or less.

Space does not allow for the separate indication of the SE of all the estimates in this publication. RSEs for all tables are provided on the ABS web site in an excel spreadsheet <www.abs.gov.au> (see Statistics: Access to all ABS products and statistics, by Catalogue Number 65. Consumer income and expenditure, **Household Wealth and Wealth Distribution, Australia**, cat. no. 6554.0). The RSEs have been derived using the group jackknife method.

COMPARATIVE ESTIMATES

Proportions and percentages

Proportions and percentages, which are formed from the ratio of two estimates, are also subject to sampling errors. The size of the error depends on the accuracy of both the numerator and the denominator. For proportions where the denominator is an estimate of the number of households in a grouping and the numerator is the number of households in a sub-group of the denominator group, the formula for the RSE is given by:

$$RSE\%\left(\frac{x}{y}\right) = \sqrt{[RSE\%(x)]^2 - [RSE\%(y)]^2}$$

Differences between estimates

The difference between survey estimates is also subject to sampling variability. An approximate SE of the difference between two estimates (x-y) may be calculated by the formula:

$$SE(x-y) = \sqrt{[SE(x)]^2 + [SE(y)]^2}$$

This approximation can generally be used whenever the estimates come from different samples, such as two estimates

from different years or two estimates for two non-intersecting subpopulations in the one year. If the estimates come from two populations, one of which is a subpopulation of the other, the standard error is likely to be lower than that derived from this approximation, but there is no straightforward way of estimating how much lower.

SIGNIFICANCE TESTING

Statistical significance testing can be undertaken to determine whether it is likely that there is a difference between two estimates from different samples. The standard error for the difference between two estimates can be calculated using the formula in the paragraph above. This standard error is used to calculate the following test statistic:

$$\frac{|x-y|}{SE(x-y)}$$

If the value of the test statistic is greater than 1.96 then it can be said there is good evidence of a real difference in the two populations with respect to that characteristic. Otherwise, it cannot be stated with confidence that there is a real difference between the populations.

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APPENDIX 3 COMPARISON OF WEALTH BETWEEN SIH AND THE AUSTRALIAN SYSTEM OF NATIONAL ACCOUNTS

INTRODUCTION

This publication contains estimates of the wealth of Australian households compiled from data collected in the 2003-04 and 2005-06 Surveys of Income and Housing (SIH). The Australian System of National Accounts (ASNA) also provides estimates of the wealth of Australian households. This appendix compares wealth data from the two data sets and describes and quantifies some of the major scope, definitional and methodological differences between them.

The concepts of wealth used in the two data sets have much in common, although there are also substantial differences. There are also differences in the definition of the household sector covered by each data set, and in the methodologies and data sources used to compile the estimates.

As the SIH and ASNA estimates of household wealth have been developed for different purposes using different data sources, they have different strengths and weaknesses. The SIH data are collected from individual households via a single collection and can be used to analyse the distribution of wealth across the population and to compare levels of wealth between various population subgroups.

The ASNA data are collected from many sources, most of which do not provide information for different population subgroups within the household sector. However, the ASNA data provide a comprehensive picture of the household sector as a whole, presented within a national accounting framework. The data therefore show how the household sector relates to the corporate and government sectors in Australia and to the rest of the world. Details are available in **Australian National Accounts: Concepts, Sources and Methods** (cat. no. 5216.0).

Sources of error

Both data sets are subject to error. As discussed in the Explanatory Notes of this publication, the SIH data are subject to both sampling error and non-sampling error, including misreporting by respondents. Some wealth items collected in the survey require respondents to make estimates, such as the value of their owner occupied dwelling, for which they may have no precise information available.

The ASNA is compiled from a wide range of sources, with widely ranging reliability. Some estimates are based on sample surveys of households or businesses and some are based on collections that capture all the relevant transactions in the economy. Some are based on data collections that are only conducted occasionally, with estimates interpolated and extrapolated over time. In some cases, there may be a reliable estimate for an aggregate for the whole economy, but less reliable indicators or assumptions are used to disaggregate the economy wide estimate into individual sector estimates.

Data used in comparisons

Elsewhere in this publication, the SIH estimates of net worth are expressed in terms of mean value per household. To facilitate comparison with ASNA estimates, in this appendix they are presented as aggregate values for Australia. Multiplying the mean value per household for all households by the estimated number of in scope Australian households (7,735,800 for 2003-04 and 7,926,200 for 2005-06) provides the aggregate Australian value.

The SIH is conducted throughout the financial year and respondents are asked to report the value of their assets and liabilities at the time that they are surveyed. Therefore the wealth estimates are assumed to relate to the average level of household net worth during that year.

The ASNA estimates of net worth are those underlying the household balance sheet presented as table 51 in **Australian System of National Accounts, 2005-06** (cat. no. 5204.0), with the memorandum item for consumer durables being taken from table 16 of that publication. Some estimates also come from **Australian National Accounts: Financial Accounts** (cat. no. 5232.0). Balance sheet data in these publications are presented with respect to 30 June of each year, and therefore to improve the comparability with the SIH estimates, ASNA data presented in this appendix has been averaged. Estimates for 2003-04 are therefore averages of data for 30 June 2003 and 30 June 2004 data and estimates for 2005-06 are averages of data for 30 June 2005 and 30 June 2006.

In the detailed comparisons provided later in this appendix, more detailed component data used to compile the ASNA balance sheet aggregates are sometimes presented to maximise comparability with SIH items.

The 2003-04 data for both SIH and ASNA estimates in this appendix may differ from those originally published in Appendix 3 of the 2003-04 issue of this publication. For SIH estimates, very minor revisions have been made to the data. For ASNA data, some substantial revisions were made to the data relating to 30 June 2003 and 30 June 2004 in the 2005-06 issue of the **Australian System of National Accounts** (cat. no. 5204.0) publication, revising the average net worth estimate from $3,239 billion to $3,467 billion.

In 2005-06 the aggregate SIH value of household net worth was $4,461 billion and the aggregate ASNA value of household sector net worth was $4,205 billion. The increase in household net worth from 2003-04 to 2005-06 is similar. The SIH value of household net worth has increased by $844 billion (23%) from 2003-04 to 2005-06 and ASNA value of household sector net worth increased by $738 billion (21%) in the same period.

A1 SIH ESTIMATES OF HOUSEHOLD NET WORTH

	Aggregate value		
	2003-04	2005-06	Change
	$b	$b	%
Assets			
Value of accounts held with financial institutions	163	197	21
Value of shares (excl. own incorporated business)	141	180	28
Value of trusts	71	80	13
Value of debentures and bonds	7	7	-
Value of own incorporated business (net of liabilities)	177	359	103
Superannuation	491	670	36
Value of owner occupied dwelling	1 926	2 267	18
Value of other property	548	719	31
Value of own unincorporated business (net of liabilities)	120	114	-5
Value of contents of dwelling	366	404	10
Value of vehicles	133	154	16
Value of assets n.e.c.	5	7	40
Total assets	4 155	5 194	25
Liabilities			
Principal outstanding on loans for owner occupied dwelling	310	396	28
Principal outstanding on other property loans	154	231	50
Debt outstanding on study loans	9	12	33
Amount owing on credit cards	14	17	21
Principal outstanding on loans for vehicle purchases (excl. business and investment loans)	21	23	10
Principal outstanding on investment loans (excl. business and rental property loans)	18	41	128
Principal outstanding on loans for other purposes (excl. business and rental property loans)	11	14	27
Total liabilities	537	733	36
Net worth of households	3 617	4 461	23

A2 ASNA HOUSEHOLD BALANCE SHEET

	2003-04	2005-06	Change
	$b	$b	%
Assets			
Machinery and equipment	84	92	10
Non-dwelling construction	82	101	23
Livestock - fixed assets	15	15	-
Dwellings	900	1 080	20
Intangible fixed assets	3	3	-
Inventories	21	24	14
Land	1 682	2 006	19
Currency and deposits	335	392	17
Securities other than shares	15	17	13
Loans and placements	16	19	19
Shares and other equity	246	344	40
Insurance technical reserves	645	888	38

	Unfunded superannuation claims	141	152	8
	Other accounts receivable	25	29	16
	Total assets	4 210	5 163	23
Liabilities				
	Securities other than shares	12	16	33
	Loans and placements	726	938	29
	Other accounts payable	5	4	-20
	Total liabilities	742	958	29
Net worth of household sector		3 467	4 205	21
Memorandum item from National Balance Sheet: Consumer durables		205	223	9

DIFFERENCES IN SCOPE

The SIH estimate of household net worth includes as assets the value of household contents and motor vehicles used for private purposes, whereas the ASNA estimate excludes them. However, the ASNA includes the value of consumer durables as a memorandum item outside the scope of its aggregate estimate of household net worth. The ASNA concept of consumer durables is essentially the same as the combined values of household contents and vehicles in the SIH, so the value of the ASNA memorandum item has been added to the ASNA aggregate value of net worth of the household sector to improve comparability with the SIH aggregate. The value of this item was $205 billion for 2003-04 and $223 billion for 2005-06.

The ASNA measure of net worth also includes some components which are not included in the scope of the SIH measure. Components which can be identified and deducted from the ASNA aggregate to improve comparability with the SIH aggregate include the technical reserves of general insurance corporations ($31b for 2003-04 and $34b for 2005-06) and unfunded superannuation claims ($141b for 2003-04 and $152b for 2005-06).

The technical reserves of general insurance corporations represent policy holders’ net equity in, or claims on, the reserves of general insurance corporations. This equates to prepayments of premiums and reserves held to cover outstanding claims. These funds are included in the ASNA value of net worth because they are collectively owned by the household sector. However, the value of the technical reserves is not attributed to individual households, since households only access the funds when they lodge a claim or receive a similar insurance payout. The technical reserves of general insurance corporations are therefore excluded from the household statistics collected in the SIH. The other insurance technical reserves included in the ASNA equate to the value of superannuation assets of households and the value of whole of life (termination) insurance and savings/endowment policies. Households normally receive annual statements providing the value of these policies, and they are therefore included in the scope of the SIH.

Unfunded superannuation claims reflect the liability of some governments to pay superannuation benefits to their employees for which they have not set aside funds. The benefits are often in the form of a pension that is determined on the basis of the employee's length of service and final salary at retirement, and they are funded from general government revenue at the time of payment. The value of this item is imputed on an actuarial basis for administrative purposes, and is an estimate of the amount of money that is required to pay the unfunded superannuation benefits to which the employees are entitled. As estimates of this liability are not available on an individual basis, they are excluded from the household statistics included in the SIH.

The net worth of non-profit institutions serving households (NPISHs), which include charities and religious organisations, are included in the ASNA definition of the household sector but are not in scope of the SIH. Only limited information is available about their net worth, and bank deposit and borrowing estimates are the only scope adjustments that can be made to the ASNA aggregates included here. The potential influence of other NPISH assets and liabilities is noted in some of the item comparisons that follow, but the magnitude of their impact is unknown.

The net result of adjusting for the four scope differences described above is to raise the ASNA based estimate of net worth from $3,467 billion to $3,494 billion for 2003-04 and from $4,205 billion to $4,235 billion for 2005-06. SIH estimates are above the ASNA estimates for both periods (4% and 5% respectively). The 2003-04 ASNA estimates have been substantially revised from that included in Appendix 3 of the 2003-04 issue of this publication (from $3,253b to $3,494b).

A3 ADJUSTMENT FOR SELECTED SCOPE DIFFERENCES IN MEASUREMENT OF NET WORTH

		2003-04	2005-06
SIH item			
	Total household net worth	3 617	4 461
ASNA item			
	Net worth of household sector, as published in ASNA	3 467	4 205
	Plus:		

Consumer durables	205	223
Less:		
Technical reserves of general insurance corporations	31	34
Unfunded superannuation claims	141	152
NPISHs bank deposit assets	8	9
Plus:		
NPISHs bank borrowings	2	2
Net worth of household sector, adjusted for selected scope differences	3 494	4 235
SIH as percent of ASNA, after adjusting for scope differences	104	105

There are other scope differences which cannot be as easily quantified. The SIH collects information only from residents of private dwellings in urban and rural areas of Australia. It therefore omits the net worth of people who live in non-private dwellings such as hotels, boarding houses and institutions and those who live in very remote and Indigenous Communities. In total, about 2% of the Australian population are out of scope of the SIH. The net worth of these people are included in the scope of the ASNA estimates.

COMPARISON OF ITEMS

The following paragraphs compare the items in this publication with corresponding items published in the ASNA, or source data available for those items. The categorisations of data in the two data sets differ substantially, limiting the detailed comparisons that can be made.

For example, the SIH only collects the value of unincorporated businesses on a net basis, rather than collecting the value of business assets and liabilities by type. The ASNA, on the other hand, often does not distinguish between assets and liabilities relating to households' business activities and their non-business activities. Therefore there is difficulty in making precise comparisons between any asset or liability items that are likely to relate to both business and non-business activity.

Accounts held with financial institutions

The SIH item 'accounts held with financial institutions' is compared to the deposits component of the ASNA item currency and deposits. That component is also known as balances with authorised deposit-taking institutions excluding deposits belonging to NPISHs (NPISHs are outside the scope of the SIH estimates). The SIH item is only about half the value of the ASNA component for both periods. However, the increase from 2003-04 to 2005-06 is comparable for both estimates, as shown in the following table:

A4 ACCOUNTS HELD WITH FINANCIAL INSTITUTIONS

	2003-04 $b	2005-06 $b
SIH item		
Value of accounts held with financial institutions	163	197
ASNA item		
Currency and deposits		
Relevant component:		
Balances with authorised deposit-taking institutions, excluding NPISH deposits	316	371

There are three major factors which limit the comparability of the SIH and ASNA values for this item.

First, the ASNA component includes deposits in cash management trusts, estimated to be worth about $22 billion in 2003-04 and $23 billion in 2005-06. In many cases, SIH respondents would be expected to report such deposits in the value of trusts data item, but the SIH does not differentiate between cash management trusts and other types of trusts. The total value of trusts in SIH is $71 billion in 2003-04 and $80 billion in 2005-06. Adjusting ASNA for this difference in item classification reduces the difference in the two sources to $131 billion in 2003-04 and $151 billion in 2005-06.

Second, the ASNA component includes deposits belonging to unincorporated businesses, whereas the SIH item excludes them. In SIH, they are one of the many unidentifiable components of the value of unincorporated business (net of liabilities). In SIH, there were 1.3 million respondents in 2003-04, and 1.2 million respondents in 2005-06, reporting that they owned an unincorporated business (a little lower than those reporting such businesses for taxation purposes). While it is not known how much these businesses may hold in either current or investment accounts, the amounts would be significant, perhaps running to tens of billions of dollars.

Third, the scope restriction in SIH (excluding 2% of the total population, and a higher proportion of the adult population) will contribute to the difference. Many of these people will be older persons living in non-private dwellings (about 7% of persons aged 65 and over). Table 22 of this publication shows that households with reference person aged 65 and over have the highest deposit balances of any of the age groups. They account for about 36% of all deposits reported (40% in 2003-04), even though these households account for only 13% of the people living in private dwellings.

The three factors limiting the comparability between the aggregates are not considered likely to account for all of the difference between them. The ASNA estimate of the balances for all sectors with authorised deposit-taking institutions is considered reliable because it is based on regulatory information obtained from financial corporations, and the household sector is the sector owning the largest share of those deposits. It may also be that the household sector information in ASNA includes some balances that relate to small incorporated businesses. However, the ASNA estimate is considered to be relatively accurate, and it is concluded that SIH respondents have substantially under-reported this item.

Shares, including own incorporated business

The SIH asked households who owned their own incorporated businesses to report the value of the businesses net of liabilities. In principle, this should equate to the share value of those incorporated businesses. The SIH also collected the value of other shares held by households. In 2003-04, the values of these two items were $177 billion and $141 billion respectively, summing to $318 billion. The value of incorporated business almost doubled in 2005-06 ($359b), whereas the value of shares increased by 28% ($180b) resulting in a sum of $539 billion.

The corresponding ASNA value is the sum of listed and some unlisted shares owned by households, estimated at $246 billion (2003-04) and $345 billion (2005-06). The values of listed shares and some unlisted shares are calculated as residuals in the ASNA, that is, the total value of each type of shares owned by all sectors is estimated and then the value of shares owned by sectors other than households are subtracted to derive the value of shares owned by the household sector. The values for other unlisted shares are derived from a range of reported data and other imputed estimates where householders are known to have an ownership interest. The quality of these estimates is relatively poor and should be treated with caution.

A5 SHARES AND OWN INCORPORATED BUSINESS

	2003-04 $b	2005-06 $b
SIH items		
Value of shares (excl. own incorporated business)	141	180
Value of own incorporated business (net of liabilities)	177	359
Total value of shares	318	539
ASNA item		
Shares and other equity		
Relevant components:		
Listed shares	174	266
Unlisted shares issued by private non-financial corporations	33	39
Unlisted shares (other)	39	40
Total shares	246	345

It could be assumed that listed companies would rarely be identified by SIH respondents as 'own incorporated business'. It could therefore be expected that the SIH value of shares (excluding own incorporated business) would equate to the ASNA value of listed shares plus ASNA value of unlisted shares, excluding those issued by private trading corporations. However, in both periods, the SIH estimate is below the ASNA value ($141b compared to $174b and $180b compared to $266b).

This may partly reflect the ownership of some shares by unincorporated businesses or by trusts and therefore their exclusion from this SIH item, but captured elsewhere in SIH wealth measures. Additionally, whilst the ASNA estimates provide reasonably reliable estimates of the valuation of listed shares at current market values (based on data received from the Australian Stock Exchange), it is not known if SIH respondents were able to provide accurate market valuations for their share holdings (excluding own incorporated business).

Though there is less comparability between the SIH value of incorporated own business and the ASNA value of unlisted shares issued by private trading corporations ($177b compared to $33b and $359b compared to $39b), the percentage increases in SIH and ASNA estimates from 2003-04 to 2005-06 are similar.

The difference in the measurement of investment in trusts is again likely to explain some of the difference between the two sources of data. First, the largest components of unlisted shares in the ASNA aggregate are equity in unlisted property and trusts. In many cases, SIH respondents would be expected to report such equity in the value of trusts data item, further increasing the gap between the two measures. But the total value of trusts in SIH is relatively small, $71 billion in 2003-04 and $80 billion in 2005-06. It is therefore likely that SIH respondents have incorrectly identified businesses operated under a trust structure as being operated as incorporated businesses and reported the equity as share assets in SIH. However, this is unlikely to fully explain the gap between the SIH value of own incorporated business and the ASNA value of unlisted shares. It is assumed in ASNA that the vast majority of unlisted incorporated businesses owned by households are limited to trading corporations, given the regulatory constraints to householders setting up their own financial corporations. Whilst this is possible in a small number of financial sector industries, no estimate is made for this in ASNA.

The ASNA data sources (for unlisted shares) are recognised as being of relatively poor quality and may have led to underestimation of this item in the ASNA. SIH respondents may also have valued their incorporated business incorrectly. The significant increase in value of incorporated business in 2005-06 SIH could be the result of sampling error.

Superannuation

Superannuation is the most significant form of household financial asset reported by survey respondents in SIH. The value of this asset was $491 billion in 2003-04 and $670 billion in 2005-06. The corresponding ASNA items are the technical reserves of pension funds ($562b in 2003-04 and $794b in 2005-06) and part of the $52 billion of the technical reserves of life insurance corporations. The ASNA estimate is considered reasonably reliable and therefore it appears that at least part of the difference between the two estimates reflects under-reporting in the SIH. Under-reporting will inevitably occur for households that are unaware of superannuation assets that they hold. The Australian Taxation Office has reported unclaimed superannuation accounts of about $10 billion in 2006. However, both the estimates showed comparable increases between 2003-04 and 2005-06.

Some SIH respondents may also have mistakenly included the assets of their self-managed superannuation funds as trust assets. The SIH estimate of the value of trusts is $71 billion for 2003-04 and $80 billion for 2005-06.

A6 SUPERANNUATION

	2003-04 $b	2005-06 $b
SIH item		
Balance of accounts with superannuation funds	491	670
ASNA item		
Insurance technical reserves		
Relevant component:		
Pension funds	562	794

Property assets

For many households, their dwelling is their main asset. The SIH collects data about the value of their dwelling from owner occupier households, which cover about 70% of all households for both periods. The SIH also collects data about the value of other property owned by households, if that property is not considered by the respondent to be part of the assets of an unincorporated business.

The ASNA methodology to estimate the value of dwellings has been changed since the previous comparisons were made. ASNA has adopted the Reserve Bank of Australia (RBA) estimates of the combined value of residential land and dwellings. The RBA estimates the combined value of residential land and dwellings owned by the household sector by applying sales data supplied by a private sector contractor to ABS Census of Population and Housing data on the number of dwellings. Estimates of the value of land held by sectors other than the household sector are estimated residually by the ABS by deducting the estimate of residential land and dwellings held by households from the aggregate estimate of the value of residential land and dwellings estimated by the RBA. ASNA has however retained the existing data sources (i.e. Valuers-General) for commercial and rural land, which each comprise about 10 per cent of the total value of land.

On the basis of census data RBA estimates that 92 per cent of the combined value of residential land and dwellings is owned by the household sector and attributes the remaining 8 per cent to other sectors.

For 2003-04, the SIH estimates of value of dwellings was $2,474 billion. The ASNA estimates for 2003-04 using the new

methodology was $2,664 billion. For 2005-06 the SIH value was $2,986 billion and the ASNA value was $3,187 billion. The adoption of the RBA methodology has resulted in an increase in the total value of land on the national balance sheet. These results support the view that ASNA estimates should be higher than those of SIH since the former includes substantial amounts for farm land and other property, which would mostly be included in the net value of unincorporated businesses when reported to the SIH.

A7 PROPERTY ASSETS

	2003-04 $b	2005-06 $b
SIH items		
Value of owner occupied dwelling	1 926	2 267
Value of other property	548	719
Total property assets	2 474	2 986
ASNA items		
Dwellings	900	1 080
Non-dwelling construction	82	101
Land	1 682	2 006
Total land and construction	2 664	3 187

Own unincorporated business

The SIH asked respondents to provide a single net estimate of the value of their own unincorporated business. Therefore no information is available about the asset and liability composition of that part of household wealth. Due to the different data sources and methodology used in compiling the ASNA estimates, the ASNA includes information about the individual assets and liabilities, but does not identify which of those relate to unincorporated business activities and which are used for other purposes. However, some forms of assets and liabilities are most likely to relate to business activities and these are included in the table below.

The net value of the selected ASNA assets and liabilities was $181 billion in 2003-04, as compared to the SIH net value of own unincorporated business of $120 billion. In 2005-06, the ASNA net value was $206 billion compared to SIH net value of unincorporated business of $114 billion. The SIH net value of unincorporated business decreased by 5% from 2003-04 to 2005-06, whereas the ASNA net value of the selected item increased by 14%. The decrease in the SIH 2005-06 estimates may be the result of sampling or reporting error, as taxation statistics show increases in income from own business during this period.

As discussed above, farm land held by unincorporated businesses and some property other than residential property, are included in the ASNA estimates for household sector 'total land and construction', whereas the net worth for these activities will be captured in the unincorporated business assets item in SIH.

A8 OWN UNINCORPORATED BUSINESS

	2003-04 $b	2005-06 $b
SIH item		
Value of own unincorporated business (net of liabilities)	120	114
Selected ASNA items		
Assets		
Machinery and equipment	84	92
Non-dwelling construction	82	101
Livestock - fixed assets	15	15
Computer software	3	3
Inventories	21	24
Loans and placements	16	19
Other accounts receivable	25	29
Total selected assets	246	283
Liabilities		
Securities other than shares	12	16
Loans and replacements		
Relevant component:		
Unincorporated business loans and placements	48	57
Other accounts payable	5	4
Total selected liabilities	65	77
Selected assets less selected liabilities	181	206

Contents of dwelling

The SIH value of contents of dwelling was $366 billion for 2003-04 and $404 billion for 2005-06. The most closely related ASNA value is the non-vehicles component of the value of consumer durables, which is included as a memorandum item on the national balance sheet. This component equalled $104 billion in 2003-04 and $115 billion in 2005-06. Both estimates showed an increase of 10% from 2003-04 to 2005-06.

The ASNA value of consumer durables excludes clothing, personal effects such as watches and jewellery, some recreational goods, books and electronic recordings, and jewellery, artworks and antiques that are held as a store of value. In total, these are likely to be worth more than the consumer durables included in the ASNA item.

Part of the difference between the SIH and ASNA values will also reflect the different valuation bases underlying the estimates. In the SIH, respondent households were asked to provide the value of their dwelling contents insurance cover, when available. Otherwise, respondent households were asked to estimate the value of their dwelling contents. The ASNA estimates the aggregate value of goods held by householders by using a personal inventory model methodology, which tracks purchases of new items by households and assigns them reducing values over their assumed life. Therefore the ASNA methodology can also be expected to result in substantially lower estimates than those obtained by using dwelling contents insurance cover, because the former attempts to estimate actual value while the latter is normally based on a 'new for old' valuation basis. The SIH estimate will also be influenced by any tendency for households to over-insure or under-insure the contents of their dwellings, while the ASNA estimate is dependent on the validity of the assumptions underlying the perpetual inventory methodology.

A9 CONTENTS OF DWELLING

	2003-04 $b	2005-06 $b
SIH item		
Value of contents of dwelling	366	404
ASNA item		
Consumer durables		
Relevant component:		
Consumer durables excluding motor vehicles	104	115

Vehicles

The SIH value of vehicles was $133 billion in 2003-04, while the motor vehicles component of the ASNA memorandum item consumer durables was $101 billion in 2003-04. The SIH estimate increased by 16% ($21b) in 2005-06, whereas the ASNA estimate showed an increase of only 7% ($7b).

The valuation bases underlying the estimates of vehicles from the two sources are more comparable than for dwelling contents described above. In the SIH, survey respondents are asked the value of their vehicles. In the ASNA, a perpetual inventory method, as described in the previous section, is used. In principle, the two approaches reflect the same valuation basis. However, while the SIH estimate excludes motor vehicles that are solely used within businesses owned by households, it does include vehicles that are used for both business and personal use. These are likely to have been excluded from the ASNA estimates. It is not known how much of the difference between the two estimates is attributable to the different treatment of vehicles used for business.

A10 VEHICLES

	2003-04 $b	2005-06 $b
SIH item		
Value of vehicles	133	154
ASNA item		
Consumer durables		
Relevant component:		
Motor vehicles	101	108

Property loans

The property loans data published from the SIH includes only a proportion of the principal outstanding on loans, where the loans are used both to finance the purchase or construction of, or alteration or addition to an owner occupied dwelling and to finance other activity. Loans for housing in the ASNA relate to loans originally for the purpose of housing. The SIH estimate has therefore been adjusted to obtain better comparability with the ASNA estimate, using relevant data collected in the SIH.

In 2003-04, the SIH estimate (of $471 billion) was $80 billion, or 15%, below the ASNA estimate, whereas in 2005-06, the SIH estimate of $636 billion was $85 billion, or 13% below the ASNA estimate ($721b). The SIH and ASNA estimates showed comparable increases in total property loans from 2003-04 to 2005-06.

The SIH estimate is broader than the ASNA estimate in so far as it includes loans for property that is not residential property, but is narrower in so far as it does not include loans for dwellings regarded by SIH respondents as the assets of their unincorporated businesses. However, the net effect of these two scope differences would seem unlikely to be the main reason for differences between the two estimates.

A11 PROPERTY LOANS

	2003-04 $b	2005-06 $b
SIH items		
Principal outstanding on loans for owner occupied dwelling - item as published	310	396
Plus: principal outstanding on housing loans secured against property but used for other purposes	7	9
Adjusted principal outstanding on loans for owner occupied dwellings	317	405
Principal outstanding on other property loans	154	231
Total adjusted principal outstanding on property loans	471	636
ASNA items		
Loans and replacements		
Relevant components:		
Loans for owner occupied housing, where type of housing can be determined	298	375
Loans for investment housing, where type of housing can be determined	145	187
Loans for housing, where type of housing cannot be determined	108	159
Total loans for housing	551	721

Other loans

The SIH estimate of loans other than for property or unincorporated business purposes was $73 billion in 2003-04 and $107 billion in 2005-06. The corresponding component of the ASNA item loans and placements was $108 billion and $131 billion respectively. It is not clear whether the large differences mainly reflect under-reporting in the SIH, or differences in scope between the SIH and ASNA components. Loans for the purpose of funding an unincorporated business may be captured in ASNA data for household sector loans but be reported in SIH indistinguishably as part of unincorporated business net assets. There may be difficulties in dividing reliable aggregate financial data into sector specific components in the ASNA. Some loans, such as those associated with vehicle finance leases, can be difficult to allocate between business purposes and personal purposes, for both reporting in SIH and ASNA compilation. The difference between SIH and ASNA estimates has reduced from 2003-04 (48%) to 2005-06 (22%), mainly due to the increase in the SIH 2005-06 estimates of investment loans.

A12 OTHER LOANS

	2003-04 $b	2005-06 $b
SIH items		
Debt outstanding on study loans	9	12
Amount owing on credit cards	14	17
Principal outstanding on loans for vehicle purchases (excl. business and investment loans)	21	23
Principal outstanding on investment loans (excl. business and rental property loans)	18	41
Principal outstanding on loans for other purposes (excl. business and investment loans)	11	14
Total other liabilities	73	107
ASNA items		
Loans and replacements		
Relevant components:		
HECS debt	10	12
Consumer loans	98	119
Total selected loans and placements	108	131

SUMMARY

The estimate of total household net worth in SIH in 2003-04 was $3,617 billion and in 2005-06 was $4,461 billion. The corresponding ASNA estimates were $3,467 billion for 2003-04 and $4,205 billion for 2005-06.

The ASNA total can be adjusted for some of the scope differences between the estimates by adding the ASNA memorandum item for consumer durables and deducting the ASNA components for the technical reserves of general

insurance corporations and unfunded superannuation claims. This raises the ASNA estimate to $3,494 billion in 2003-04 and $4,235 billion in 2005-06. On this adjusted basis, SIH estimates were 4% higher than ASNA estimates in 2003-04 and 5% higher in 2005-06.

No adjustment has been made to reflect the exclusion by SIH of the 2% of the population who do not live in private dwellings or who live in very remote communities, suggesting that the gap between the two aggregate estimates is somewhat higher. Only limited adjustments have been made for the inclusion by the ASNA of the net worth of charities, religious organisations and other non-profit institutions serving households (NPISHs).

It is difficult to draw conclusions about comparability at the detailed item level of the SIH and ASNA aggregates. Overall it can be concluded that SIH respondents have under-reported some items and that for some items the ASNA data sources and methodology provide estimates that are below the corresponding valuations provided by households.

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